

ALUMINUM COMPANY OF CANADA, LIMITED

*(A subsidiary of Aluminium Limited. Incorporated under the Companies Act
of the Dominion of Canada)*

AND SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

31st DECEMBER, 1942

French edition of these statements available upon request.

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McGILL UNIVERSITY

Approved on behalf of the Board,
R. E. POWELL, *Director*
J. H. ALGER, *Director*

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALUMINUM COMPANY OF CANADA, LIMITED:

We have examined the consolidated balance sheet of Aluminum Company of Canada, Limited and its subsidiary companies as at 31st December, 1942, and the relative consolidated statements of profit and loss and surplus. In connection therewith we have reviewed the system of internal control and the accounting procedures of Aluminum Company of Canada, Limited and its Canadian subsidiaries and have examined or tested accounting records of these companies and other supporting evidence, but we did not make a detailed audit. The detail transactions of the Canadian companies are examined by the Companies' internal auditors whose reports are furnished to us. We were furnished by other independent accountants with audited financial statements of the subsidiaries operating outside of Canada whose records were not examined or tested by us. We have received all the explanations and information we have required.

We have satisfied ourselves that the inventories of aluminum and other products are valued at cost, which was below market at 31st December, 1942, and that inventories of materials and supplies are stated at the lower of cost or market. Intercompany profits have been excluded from inventories. The provisions for Income and Excess Profits taxes, considered adequate by the management, are subject to final determination by the appropriate tax authorities.

The surpluses of the individual companies included in the consolidation are subject to such restrictions as to distribution as may be imposed by exchange regulatory bodies of the countries in which the companies are carrying on operations.

The Aluminum Power Company, Ltd. Second Hypothec was heretofore stated at \$7,562,500. As a result of the further development of the Company's waterpowers, this obligation was restated during the year at its commutation value of \$15,000,000 with a corresponding increase in Land, Plants and Facilities. Payments against principal during the year reduced the commutation value to \$14,827,503 at 31st December, 1942.

The earned surplus at 31st December, 1941, has been adjusted in respect of provision for depreciation of war facilities and sales and tax adjustments affecting the operations of prior years, which adjustments were agreed subsequent to 31st December, 1941.

On the above basis we report that the foregoing consolidated balance sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the combined state of affairs of Aluminum Company of Canada, Limited and its subsidiary companies as at 31st December, 1942, according to the best of our information and the explanations given to us, and as shown by the books of the companies examined by us and the financial statements above referred to; and that the relative consolidated statements of profit and loss and surplus fairly present the results of the combined operations of the companies.

PRICE, WATERHOUSE & CO.

Auditors.

22nd March, 1943.

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Profit and Loss

For the Year Ending 31st December, 1942

Profit for the year ending 31st December, 1942, after provision for Depreciation and Depletion (see footnote) but before taking into account the items shown below.....			\$27,740,828
Add:			
Interest, etc.....			220,566
			<u>\$27,961,394</u>
Deduct:			
Interest on Indebtedness not maturing within one year..	\$2,647,047		
Other Interest.....	205,628	\$ 2,852,675	
Executive Salaries.....		152,594	
(Parent and subsidiary companies)			
Legal Fees.....		63,368	
Directors' Fees.....		1,218	
Provision for Income and Excess Profits Taxes.....		10,967,106	14,036,961
(Including \$9,790,349 Canadian Taxes)			
Profit for the year carried to Earned Surplus.....			<u>\$13,924,433</u>

NOTE: Provision for Depreciation and Depletion for the year amounted to \$46,328,850 of which \$3,787,235 was charged to Cost of Production and \$42,541,615 (including special provision of \$40,571,185 in respect of War Facilities) directly against Profits.

Consolidated Statement of Earned Surplus

Earned Surplus—31st December, 1941.....			\$30,520,203
Adjustments applicable to prior years:			
Additional provision for depreciation in respect of War Facilities.....	\$ 5,958,896		
Overprovision of Canadian Income and Excess Profits Taxes.....	\$2,188,091		
Sales adjustments.....	1,593,802	3,781,893	2,177,003
Earned Surplus (as adjusted)—31st December, 1941.....			\$28,343,200
Profit for the year as above.....	\$13,924,433		
Excess of insurance received over book value of vessels lost.....	1,338,308		15,262,741
Dividends Paid.....	\$14,500,000		\$43,605,941
Appropriation for the purchase of past service retirement annuities under The Retirement Income and Life Assurance Plan.....	275,490		14,775,490
Earned Surplus—31st December, 1942.....			<u>\$28,830,451</u>

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December, 1942

LIABILITIES

CAPITAL STOCK:

Authorized and Issued—1,500,000 Common Shares—no par value (See Notes) \$ 15,000,000

ALUMINUM COMPANY OF CANADA, LIMITED—NOTES PAYABLE:

3% Redeemable Notes, due 1961, payable to the British Government—principal and interest abatable in certain circumstances as provided in the contracts under which they were issued	\$55,600,000	
3% Note (U.S. \$1,000,000) to Export-Import Bank, Washington, D.C.—payable U.S. \$50,000 annually, balance in 1952	1,100,000	
1¾% Bank Loan, due 1944 (U.S. \$15,000,000)—refundable into Export-Import Bank, Washington, D.C. 10-year 3% Loan payable 5% annually, balance at maturity	16,500,000	73,200,000

FUNDED DEBT OF SUBSIDIARIES:

Aluminum Power Company, Ltd.:

First Mortgage 4% Bonds, due 1968:

Series "A"—payable in Canadian currency \$ 9,500,000

Series "B"—payable in U.S. currency 9,500,000

Second Hypothec, securing Contractual Obligation for annual payments, which may be commuted for 14,827,503

The Roberval & Saguenay Railway Company:

40-year 7% Consolidated Sinking Fund Mortgage Bonds, due 1955 1,330,000 35,157,503

ADVANCE PAYMENTS ON SALES CONTRACTS 88,828,865

CURRENT LIABILITIES:

Accounts Payable	\$18,396,273	
Accounts Payable to Affiliated Companies	501,986	
Accrued Items	4,064,374	
Reserves for Income and Excess Profits Taxes	7,633,458	30,596,091

OPERATING RESERVES AND DEFERRED CREDITS 551,125

RESERVE AGAINST FUTURE DEPRECIATION IN INVENTORY VALUES 6,430,004

REFUNDABLE PORTION OF EXCESS PROFITS TAX (Contra) 224,422

EARNED SURPLUS 28,830,451

\$278,818,461

NOTES: The issued capital stock was increased in 1942 by the issue of 25,000 shares for a consideration of \$2,500,000. Supplementary Letters Patent of 28th December, 1942 subsequently changed the authorized and issued capital stock from 150,000 shares of \$100 par value to 1,500,000 no par value shares. Preferred shares to an amount of \$15,000,000 were issued in January, 1943. Construction programme will require approximately \$44,000,000 to be secured from current assets, operations and/or additional financing.

The Aluminum Power Company, Ltd. Second Hypothec, and the annual payments secured thereunder, are payable in Canadian currency and in U.S. currency in equal parts.

The accounts of subsidiary companies, other than Canadian companies, included in the consolidated balance sheet and the relative statement of profit and loss are translated into Canadian dollars at official rates of exchange current at 31st December, 1942, except that Fixed Assets are at rates determined at dates of acquisition.

ALUMINUM COMPANY OF CANADA, LIMITED
MONTREAL, QUE., CANADA

DIRECTORS

R. E. POWELL, *President*

J. H. ALGER
Vice-President, Aluminium Limited,
Montreal

E. BLOUGH
President, Aluminium Laboratories Limited,
Montreal

EDWARD K. DAVIS
President, Aluminium Limited,
Montreal

W. M. GIFFORD, *General Sales Manager*

E. A. MACNUTT
Vice-President, Sun Life Assurance Company of Canada,
Montreal

GEORGE O. MORGAN
President, Aluminium Securities Limited,
Montreal

J. F. VAN-LANE
Secretary, McCarthy & McCarthy,
Toronto

H. R. WAKE, *Secretary*

F. L. FARRELL, *Treasurer*

A. W. WHITAKER, Jr., *General Manager*

